

P-421, 407/CP-87-747 DENYING PETITIONS, STAYING CONSIDERATION, AND  
REQUIRING THE FILING OF TRAFFIC STUDIES, COST STUDIES AND PROPOSED RATES

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Darrel L. Peterson	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Patrice Vick	Commissioner

In the Matter of the Petition for Extended  
Area Service From Iron Trail United  
Communities

ISSUE DATE: September 18, 1990

DOCKET NO. P-421, 407/CP-87-747

ORDER DENYING PETITIONS, STAYING  
CONSIDERATION, AND REQUIRING THE  
FILING OF TRAFFIC STUDIES, COST  
STUDIES AND PROPOSED RATES

**PROCEDURAL HISTORY**

On November 10, 1987, Iron Trail United Communities (ITUC) filed petitions requesting Extended Area Service (EAS) between various ITUC communities and six other exchanges for a total of 74 separate EAS routes. The affected exchanges are served by either Northwestern Bell Telephone Company (NWB) or Contel of Minnesota, Inc. (Contel).

On September 20, 1988, the Commission issued its Order outlining 14 EAS routes which merited further study. The Commission directed NWB and Contel to file cost studies and proposed rates for 14 routes.

On February 2, 1989, the Commission issued its ORDER VARYING TIME REQUIREMENTS AND DEFERRING CONSIDERATION OF PETITION AND VARIANCE REQUESTS. The Order delayed further consideration of this petition until after the conclusion of the 1989 legislative session.

On May 4, 1989, the Commission issued its ORDER AFTER RECONSIDERATION, DENYING VARIANCE REQUESTS, AND ESTABLISHING FILING TIMETABLE. This Order concluded that the 1989 legislative session would not produce any guidance on EAS policy issues, and therefore directed NWB and Contel to file cost studies and to propose EAS rates meeting the requirements of Minn. Rules, part 7815.0900, subp. 2 within 90 days.

On August 9, 1989, the Commission issued its ORDER GRANTING TIME EXTENSION, granting NWB and Contel a 30 day time extension to file the cost studies and proposed rates.

On October 19, 1989 and November 3, 1989, the Commission granted the Minnesota Department of Public Service (the Department) time extensions to file comments on the cost studies and

proposed rates filed by the companies.

On April 27, 1990, the legislature enacted new legislation regarding EAS (M. S. §237.161).

On July 31, 1990, the Commission met to determine how the new legislation affects previous and future decisions regarding the Iron Trail petition.

### **FINDINGS AND CONCLUSIONS**

The new EAS legislation provides that a request to install EAS will be granted when the following three criteria have been met:

- (1) the petitioning exchange is contiguous to an exchange or local calling area to which extended area service is requested in the petition.
- (2) at least 50 percent of the customers in the petitioning exchange make one or more calls per month to the exchange or local calling area to which extended area service is requested, as determined by a traffic study; and
- (3) polling by the commission shows that a majority of the customers responding to a poll in the petitioning exchange favor its installation, unless all parties and the commission agree that no polling is necessary. Minn. Stat. § 237.161, subd. 1(a)(1-3) (1990).

### **Proposed EAS Routes Previously Approved for Further Study**

In its September 20, 1988 Order, the Commission found that 14 of ITUC's proposed EAS routes merited further study and directed NWB and Contel to file cost studies and proposed rates for these routes:

Greaney to Orr  
Aurora to Virginia  
Bear River to Cook  
Greaney to Virginia  
Orr to Virginia  
Palo to Aurora  
Biwabik to Aurora

Buhl to Virginia  
Greaney to Cook  
Cook to Virginia  
Hoyt Lakes to Virginia  
Palo to Hoyt Lakes  
Virginia to Hibbing  
Biwabik to Hoyt Lakes

Applying the criteria of the new statute, however, the Commission finds that 8 of the EAS routes that it approved for further study in its September 20, 1988 Order fail to meet the legislation's criteria and must be eliminated from further consideration:

Greaney to Virginia	(not adjacent)
Hoyt Lakes to Virginia	(not adjacent)
Orr to Virginia	(not adjacent)
Palo to Hoyt Lakes	(not adjacent)
Aurora to Biwabik	(insufficient traffic)
Hoyt Lakes to Biwabik	(not adjacent)
Virginia to Hibbing	(insufficient traffic)
Aurora to Virginia	(not adjacent)

Therefore, the Commission will eliminate from further consideration all of these proposed EAS routes except the Aurora to Biwabik route which the Commission will not eliminate at this time. While technically ineligible at this time because a study showed insufficient traffic, the traffic data for this route is high enough to merit another more recent traffic study. If a new traffic study of this route does not show the statutorily required traffic level, it will be eliminated.

#### Proposed Routes Meeting the Adjacency and Traffic Criteria

The following routes are both adjacent to each other (criterion #1) and the traffic volume in at least one direction meets the traffic test (criterion #2) in the new EAS law:

Buhl to Virginia	Cook to Virginia
Bear River to Cook	Greaney to Cook
Greaney to Orr	Palo to Aurora
Orr to Cook <sup>1</sup>	Bear River to Chisholm <sup>1</sup>

Therefore, the Commission will prepare to poll the customers of these exchanges to determine whether a majority favors the installation of EAS by requiring that the local exchange companies (LECs) serving these exchanges file cost studies and proposed EAS rates.

An additional proposed EAS route that was eliminated from consideration by the Commission's September 20, 1988 Order may merit further consideration under the new statutory criteria. The proposed Bear River to Hibbing EAS route meets the traffic criterion and would meet the adjacency criterion if the adjacency criterion were interpreted to mean that the petitioning exchange need not be adjacent to the petitioned exchange but only need be adjacent to the calling area which contains the petitioned exchange. The Commission is not prepared, at this time, to give the adjacency requirement such a broad interpretation. Consequently, the Commission will not proceed to establish rates for this proposed route but will give the matter further consideration after it has thoroughly considered the adjacency requirement in this and related dockets.

#### Cost Studies and Proposed Rates

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<sup>1</sup> The Orr-Cook and Bear River-Chisholm proposed EAS routes were eliminated from further consideration by the Commission's September 20, 1988 Order but are revived for consideration under Minn. Stat. § 237.161.

Prior to polling customers to determine the level of support for installing EAS in the affected exchanges, the Commission must determine the rates for such service. Minn. Stat. § 237.161, subd.1(a)(3) and subd.2 (1990). In order to determine these rates, the Commission will require the companies to submit new cost studies and proposed rates that meet the criteria established in Minn. Stat. § 237.161, subd. 2 and 3. The cost studies and proposed rates currently on file from the companies do not meet the new requirements.

Minn. Stat. § 237.161, subd.3 requires that "between 50 and 75% of the costs must be allocated to the petitioning exchange". In proposing rates, therefore, the companies need to know which exchange is classified as the "petitioning exchange" and which is classified as the "petitioned exchange". Normally, this is not a problem because the petitioning exchange is simply the exchange to which the petitioners subscribe. In this case, however, the "petitioning exchange" is not so readily identified because the petitioner is a multi-exchange-based coalition. In this case, the Commission finds that it is reasonable to classify the exchanges based upon the per subscriber volume of traffic between the exchanges. In preparing their proposed rates, the companies should treat an exchange as a "petitioning exchange" if more than 50% of its customers place one or more calls per month to the exchange for which EAS is petitioned. Similarly, if fewer than 50% of an exchange's customers make one or more calls to the exchange for which EAS is petitioned, the exchange will be viewed as the "petitioned exchange". On this basis, the classifications are as follows:

<u>EAS Route</u>	<u>Petitioning Exchange</u>	<u>Petitioned Exchange</u>
Buhl to Virginia	Buhl	Virginia
Cook to Virginia	Cook	Virginia
Bear River to Cook	Bear River	Cook
Greaney to Cook	Greaney	Cook
Greaney to Orr	Greaney	Orr
Palo to Aurora	Palo	Aurora
Orr to Cook	Orr	Cook
Bear River to Chisholm	Bear River	Chisholm
<b><u>ORDER</u></b>		

1. The following proposed Extended Area Service (EAS) routes do not meet the requirements of Min. Stat. § 237.161 and are hereby denied:

Greaney to Virginia	Hoyt Lakes to Biwabik
Virginia to Hibbing	Aurora to Virginia
Hoyt Lakes to Virginia	Orr to Virginia
Palo to Hoyt Lakes	

2. Within 45 days of the date of this Order, Contel, which serves the Aurora exchange, and NWB which serves the Biwabik exchange, shall submit updated traffic studies of the traffic between these two exchanges. Pending receipt of these updated traffic studies, Commission will stay consideration of the proposed Aurora-Biwabik EAS route.

3. Within 45 days of the date of this Order, Northwestern Bell Telephone Company (NWB) and Contel of Minnesota, Inc. (Contel) shall submit new cost studies and proposed rates for the following routes.

Buhl to Virginia  
Cook to Virginia  
Bear River to Cook  
Greaney to Cook  
Greaney to Orr  
Palo to Aurora  
Orr to Cook  
Bear River to Chisholm

4. The cost studies and proposed rates for the routes listed Ordering Paragraph 3 shall:
- be based on all the requirements of M. S. §237.161, Section 1, Subd. 2 and 3, and
  - present one rate schedule that assigns 50% of the costs to the "petitioning exchanges" as classified in Ordering Paragraph 5, and
  - one rate schedule that assigns 75% of the costs to the "petitioning exchanges" as classified in Ordering Paragraph 5.

If either company believes the cost studies it has already submitted meet the requirements of M. S. §237.161, it should so indicate.

5. For purposes of the proposed rates filed pursuant to this Order, the exchanges shall be classified as follows:

<u>EAS</u> <u>Route</u>	<u>Petitioning</u> <u>Exchange</u>	<u>Petitioned</u> <u>Exchange</u>
Buhl to Virginia	Buhl	Virginia
Cook to Virginia	Cook	Virginia
Bear River to Cook	Bear River	Cook
Greaney to Cook	Greaney	Cook
Greaney to Orr	Greaney	Orr
Palo to Aurora	Palo	Aurora
Orr to Cook	Orr	Cook
Bear River to Chisholm	Bear River	Chisholm

6. Within 45 days of the date that NWB and Contel file their cost studies and proposed rates, the Minnesota Department of Public Service (the Department) shall file a report and recommendation on the cost studies and proposed rates with the Commission and serve copies of it on NWB, Contel and the petition sponsor. The Department's report should indicate whether the cost studies meet the requirements of Minn. Stat. § 237.161 and include

a recommendation regarding the percent of costs that should be assigned to the petitioning exchanges.

7. Within 20 days after the Department files its report and recommendation, interested parties may file comments on the Department's filing and shall serve copies of any such comments upon NWB, Contel and the petition sponsor.
8. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster  
Executive Secretary

(S E A L)